

## Message Text

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46

ACTION EUR-25

INFO OCT-01 ADP-00 MC-02 T-03 OMB-01 PM-09 ACDA-19 EB-11

TRSE-00 GAC-01 SAJ-01 MBFR-03 AID-20 NEA-10 CIAE-00

H-02 INR-09 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-14 USIA-12 RSR-01 /162 W

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R 131023 Z MAR 73

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 6402

INFO SECDEF WASHDC

USCINCEUR VAIHINGEN GER

USMISSION NATO

AMEMBASSY COPENHAGEN

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E. O. 11652: N/ A

TAGS: MASS, NO

SUBJ: SALE OF RESIDUAL RIGHTS TO MAP MATERIEL

REF: ( A) STATE 3999 ( NOTAL) ( B) OSLO 723

BEGIN SUMMARY. NORWAY HAS ALREADY PURCHASED RESIDUAL RIGHTS TO SOME \$7 MILLION WORTH OF GRANT AID EQUIPMENT AND IS PREPARING A PROPOSAL FOR PURCHASE OF ADDITIONAL ITEMS OF MINOR EQUIPMENT. EVEN AT ROCK- BOTTOM PRICES, HOWEVER, PURCHASE OF RESIDUAL RIGHTS TO MAJOR ITEMS WOULD HAVE TO BE AT THE EXPENSE OF NEW EQUIPMENT. WE DOUBT THAT THIS WOULD BE IN NORWAY'S OR OUR OWN INTEREST. END SUMMARY.

1. THE NORWEGIANS ARE AWARE THAT IT IS POSSIBLE TO PURCHASE RESIDUAL RIGHTS TO MATERIAL FURNISHED AS GRANT AID UNDER THE MILITARY ASSISTANCE PROGRAM. ON THE BASIS OF A PROPOSAL MADE BY NORWAY IN 1970, SALE OF RESIDUAL RIGHTS TO CERTAIN MINOR ITEMS OF EQUIPMENT,

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COMPONENTS, AND PARTS WAS EFFECTED IN 1972, THEREBY  
ELIMINATING A CONSIDERABLE ADMINISTRATIVE WORKLOAD.  
CHIEF MAAG/ NORWAY HAS BEEN TOLD INFORMALLY THAT THE  
MINISTRY OF DEFENSE IS CURRETLY DRAWING UP A SECOND  
LIST OF ITEMS THE NORWEGIANS WOULD LIKE TO PURCHASE AND  
THAT A NEW PROPOSAL WILL BE PUT TO THE US IN ABOUT TWO  
MONTHS.

2. THE NORWEGIAN PURCHASE PROGRAM IS, HOWEVER, QUITE MODEST.  
ACQUISITION COST OF THE ITEMS FOR WHICH RESIDUAL  
RIGHTS WERE PURCHASED IN 1972 WAS \$7.3 MILLION ( AD THE  
NEGOTIATED SALE PRICE WAS \$140,000). WE WOULD ASSUME THAT  
THE LIST NOW BEING COMPILED WILL BE OF A COMPARABLE ORDER  
OF MAGNITUDE. WHILE IT WILL HOPEFULLY REMOVE MANY MORE  
MINOR ITEMS FROM THE BOOKS AND THUS GO A LONG WAY TOWARD  
RELIEVING BOTH NORWAY AND THE US OF NEEDLESS PAPER WORK,  
IT WILL NOT MEET THE OBJECTIVE OF CLOSING THE BOOK ON  
MAJOR ITEMS OF EQUIPMENT SUCH AS AIRCRAFT . THE  
NORWEGIANS MIGHT AGREE THAT THIS WOULD BE ADVANTAGEOUS, FOR  
REASONS CITED IN REF A, BUT WE SERIOUSLY DOUBT THAT THEY  
COULD SWING IT FINANCIALLY.

3. NORWAY'S ANNUAL DEFENSE BUDGET IS IN THE NEIGHBORHOOD  
OF \$400 MILLION. A ROUGH ESTIMATE IS THAT EARLIER TURN-  
INS AND LOSSES HAVE REDUCED THE INVENTORY OF MAP- SUPPLIED  
ITEMS IN NORWEGIAN HANDS TO A TOTAL ACQUISITION COST OF  
\$500 MILLION. TO PURCHASE RESIDUAL RIGHTS TO THIS EQUIP-  
MENT, EVEN ASSUMING THE PRICE WERE AS GOOD AS THAT RECEIVED  
BY THE GERMANS, WOULD COST ABOUT \$35-40 MILLION, OR ABOUT  
TEN PER CENT OF THE ANNUAL DEFENSE BUDGET. MEANWHILE, THE  
DEFENSE ESTABLISHEMTN IS HAVING TO FIGHT TO KEEP THE DEFENSE  
BUDGET GROWING AT AN ANNUAL RATE OF 1.25 TO 2.5 PER CENT,  
AND EVEN SO IS FINDING IT DIFFICULT TO SEE HOW NECESSARY  
NEW EQUIPMENT AND HARDWARE CAN BE FINANCED.

4. AS DISCUSSIONS OF THE PURCHASE OF RESIDUAL RIGHT TO  
ADDITIONAL MINOR ITEMS PROCEED, MAAG WILL ENCOURAGE THE NORWEGIANS  
TO GIVE SOME THOUGHT TO HANDLING MAJOR ITEMS IN THE SAME WAY. WE  
CAN POINT OUT THE ADVANTAGES, BUT WE BELIEVE IT WOULD BE  
A MISTAKE TO GO BEYOND THAT TO PRESS THEM TO BUY.  
BECAUSE THERE ARE POLITICAL LIMITS TO ANY SIGNIFICANT GROWTH  
OF THE DEFENSE BUDGET, PURCHASE OF MAP RESIDUAL RIGHTS WOULD  
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IN EFFECT RESULT IN A DEGREATION OF THE NORWEGIAN DEFENSE

EFFORT. IN ADDITION, THERE WOULD BE UNDESIRABLE POLITICAL  
FALL- OUT OF PARLIAMENTARY DEBATE ON SUCH AN ITEM IN THE  
BUDGET WERE TO EVOKE CLAIMS THAT THE US IS CHANGING  
THE RULES OF THE GAME. DECON 12/31/79  
CROWE

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\*\*\* Current Handling Restrictions \*\*\* n/a

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